



Mario F. Cilento  
President

Terrence L. Melvin  
Secretary-Treasurer

Mike Neidl  
Legislative Director

## Tier 6 Lobbying Talking Points

### Proposal

- Governor Cuomo's Executive Budget includes a proposal to create a new pension tier for state and local government employees – Tier 6. **We are asking Senators and Assemblymembers to oppose Tier 6, and to communicate that opposition to the leadership in their respective conferences.**
- Tier 6 would force employees to choose between a severely diminished defined-benefit pension plan and a defined-contribution 401(k) style plan. In practice, many employees would be lured into the 401(k) plan because the new pension requires employees to pay more and work longer, to receive a smaller benefit.

### Pensions vs. 401(k)s

- Defined-benefit pensions base a retiree's benefit on the number of years worked and salary. It pools risk for all members of the plan.
- Defined contribution, 401(k) style plans base retiree's benefit on how much they can save in an individual account and Wall Street fluctuations.
- 401(k)s cost more to administer than pensions, diverting money that should be used for worker benefits.
- 401(k)s alone are not enough. According to Fidelity, the average 401(k) balance is less than \$75,000. If you needed \$15,000 per year in addition to Social Security just to scrape by in retirement, you would outlive your income after only 5 years.

### Public Employees and Retirees are Not Rich

- The average pension for members of the state and local employees' retirement system is roughly \$19,000 per year and the average for retirees from the teachers' retirement system is approximately \$39,000 per year.
- Very few retirees receive a large pension and they are overwhelmingly high level management and political appointees.
- 76% of pensions are less than \$30,000 per year.

### Public Employees Have Sacrificed

- Public employee retirement benefits have been reduced under the new pension tier enacted in 2010, Tier 5. The Tier 5 reforms will save New York taxpayers \$35 billion over the next 30 years.
- State employees have negotiated new contracts that include wage freezes, pay lags, dramatic increases in healthcare premiums, unpaid furloughs and other wage and benefit reductions, saving millions in tax dollars.
- Local government and school district employees have taken the same freezes and reductions as their State employee counterparts to reduce local taxes; many even voluntarily opened up their contracts to agree to these cutbacks in an effort to avoid layoffs.
- Despite these sacrifices, thousands of public employees including teachers, nurses, police officers and fire fighters across the state are standing in the same unemployment line as private sector workers.

### New York's Pension System is Strong

- Comptroller Tom DiNapoli has continually stated that New York's system is strong, sustainable and remains a rock-solid source of security to one million working and retired members.
- The Pew Center issued a report two years in a row calling New York one of the best managed pension funds in the country.
- New York State has been providing pension benefits for more than 90 years.
- *Governing magazine* cited New York as the national pension leader.
- Wall Street greed and fraud caused the collapse of the stock market and need for higher employer contributions. As the economy recovers, employer contributions will normalize.

### Public Employees Contribute to their Pension

- The vast majority of members of public pension systems have contributed a percentage of their salary to their pension fund.
- In addition to their own contributions, these workers pay the same taxes as everyone else, which supports employer contributions.
- 86% of pension plan income comes from earnings on pension investments. 14% comes from combined employer and employee contributions.
- Unlike members of most private sector retirement plans, most of New York's public workers pay taxes on the contributions they make to their pensions.

### Pensions Bolster the Local Economy

- According to a study by the National Institute for Retirement Security, each dollar invested in public pensions by New York taxpayers' supports over \$11 in total economic activity.

- Retiree expenditures stemming from state and local pensions supported nearly 137,000 jobs in the state, accounting for \$10.5 billion in wages and salaries and \$4.1 billion in tax revenue to the federal, state and local governments.
- New York's public retirement systems are huge investors in private companies.

### Tier 6 Hurts All Workers

- Although the plan would apply to new public employees, current public employees and retirees will be harmed as the pension system would be undermined by fewer new members. The larger the pool, the greater the ability to diversify and share risk.
- Private sector employers who have maintained pension plans will use the state's example as an excuse to terminate their own plans.